

STATEMENT

OF

BRUCE J. CARLTON
SHIPPING AND PROGRAM CONTROL OFFICER

ON

BEHALF OF

THE

MARITIME ADMINISTRATION
DEPARTMENT OF TRANSPORTATION

BEFORE THE

SUBCOMMITTEE ON ENVIRONMENT, ENERGY AND NATURAL
RESOURCES
COMMITTEE ON GOVERNMENT OPERATIONS
U.S. HOUSE OF REPRESENTATIVES

WITH RESPECT TO

OPERATION OF INCINERATOR VESSELS

JULY 12, 1984
SAN RAFAEL, CALIFORNIA

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Madam Chairwoman, I am Bruce J. Carlton, and I am the Shipping and Program Control Officer of the Maritime Administration (MARAD). I am appearing before your Subcommittee on behalf of Admiral H. E. Shear, the Maritime Administrator, who was unable to testify today due to previous commitments.

As Congressman Synar noted in his invitation to testify, MARAD does not have a regulatory responsibility for the incineration of hazardous wastes at sea. The Environmental Protection Agency (EPA) has the major responsibility, through the designation of burn sites and setting standards for the actual incineration. Within the Department of Transportation (DOT), the U.S. Coast Guard is responsible for regulation of the safe operation of such vessels both at sea and in port, while the Materials Transportation Bureau regulates the carriage of hazardous wastes by rail and truck to ports. MARAD's direct interest in such matters is in the context of shipbuilding opportunities and the development of the U.S. merchant marine.

MARAD became involved in the subject of ocean incineration in the mid-1970's, when MARAD and EPA conducted a number of studies concerning technical, environmental, safety and economic issues of incinerating hazardous wastes at sea. During this period, the 1978/79 international standards for incineration at sea were developed and approved under the auspices of the International

Maritime Organization. EPA helped develop these standards, and MARAD assisted EPA on technical matters.

In February 1980, an interagency work group consisting of representatives of EPA, MARAD, Coast Guard, and the National Bureau of Standards undertook a study of ocean incineration and the alternatives available to the Federal Government for encouraging the design, construction, and operation of U.S.-flag incinerator ships. The work group examined previous incineration operations, various Federal assistance programs, safety and control measures, incinerator ship conceptual designs, environmental impacts, and waterfront facilities. In September 1980, the work group issued its report and concluded that chemical waste incineration at sea, aboard specially designed and equipped ships, is "an effective and environmentally acceptable technology" for destroying many combustible hazardous wastes. It further concluded that an accelerated Federal effort should be instituted to establish chemical waste incinerator ship capabilities in the United States. On October 8, 1980, the Administrator of EPA and the Assistant Secretary for Maritime Affairs approved and expanded upon the recommendations issued by the work group.

By memorandum of agreement between MARAD and EPA, the work group was expanded and redesignated the Interagency Review Board for the Chemical Waste Incinerator Ship Program (IRB). The purpose of this Board is to monitor and coordinate Federal Government activities related to developing U.S.-flag incinerator ship capabilities in the United States. MARAD's chief interest in the work of this Board and in this subject overall was to encourage the construction of the most suitable and safe vessels in U.S. shipyards, and their safe operation under the U.S.-flag.

In September of 1981, the Maritime Administrator replied to an inquiry from At-Sea Incineration, Inc., indicating a willingness on the part of MARAD to participate in the financing of two proposed integrated tug/barge incinerator vessels under the Title XI program. The Title XI program is a guarantee program established in the Merchant Marine Act of 1936 that provides for a full faith and credit guarantee by the U.S. Government of debt obligations issued by U.S. citizen shipowners for the purpose of financing or refinancing U.S.-flag vessels constructed or reconstructed in U.S. shipyards. The Title XI program enables owners of eligible vessels to obtain long-term financing on favorable terms and conditions and at interest rates comparable to those available to large and financially strong corporations. Funds secured by the guaranteed debt obligations and used for financing the vessels are obtained in the private sector. Each project must be determined to be economically sound, and the proposed shipowner and/or operator must meet management and financial criteria.

In April 1982, MARAD issued a Title XI Letter Commitment to finance the construction of two U.S.-flag vessels, outfitted with incinerators. The ships are now under construction at Tacoma Boatbuilding Company (TBC) under a \$74.5 million contract. The Government has guaranteed the payment of \$55,875,000 in bonds; this amount is equivalent to 75 percent of the construction cost of the vessels. The shipowner is Apollo Company, L.P., a limited partnership formed in the State of Delaware. Upon delivery, the vessels are to be time chartered to At-Sea Incineration, Inc., a

subsidiary of Tacoma Boatbuilding Company. Apex Marine Corporation, which is affiliated with the general partner of Apollo Company, will act as managing agent for Apollo, and will operate the vessels. The two incinerator vessels are now approximately 88 percent and 57 percent complete, respectively.

After the Apollo Letter Commitment was approved, the General Accounting Office reviewed the Apollo loan guarantee. The General Accounting Office found no basis to question either the legality of the guarantee or the Secretary's determination of the economic soundness of the project.

Since approval of the Apollo Letter Commitment, two significant events have occurred which should promote the ocean incineration of wastes in U.S.-flag ships. A provision of P.L. 97-389 defined the transportation of hazardous waste from a port in the United States for the purpose of its incineration at sea as so-called Jones Act or domestic trade. The trade is limited by law to U.S.-flag vessels which are built in the United States, owned by U.S. citizens, and crewed by American citizens. Two existing foreign-built incinerator ships, the VULCANUS I and VULCANUS II, were given "grandfather" rights in the same legislation, provided explicit conditions for their inspection and outfitting were met. These ships are owned by an American company. Second, U.S. built and documented vessels were approved by MARAD as qualified Capital Construction Fund program objectives. This enables owners of such vessels to defer Federal income taxes on earnings generated from the operation of incinerator ships and thereby accumulate the capital necessary to construct other vessels.

The construction of these first two incinerator ships is an important first step in a program to develop other industrial plant vessels for multiple uses. The construction of plant vessels represents an important future market for American shipyards.